



DCU BULLETIN

Division of Credit Unions

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California Disclosure Law's Effect on Washington Credit Unions Computer Identity Theft Notice

A new California law (effective July 1, 2003) requires companies; including Washington chartered credit unions, to notify their California resident customers of computer security breaches. The notification of security breaches is not necessary under this law (SB 1386) if a company stores its customer personal information in encrypted form. The law does not specify what level of encryption is required.

Most financial institutions, including credit unions, are not storing personal consumer data in encrypted form. Therefore, if a customer information security breach occurs, notification to California residents would be required.

This law is intended to combat identity theft and is triggered when a breach exposes certain types of information that is not stored in encrypted form. Specifically, when a customer's name is exposed in conjunction with their social security number, drivers license number, credit card or credit union or bank number. After the intrusion or unwanted exposure of this unencrypted personal information, the company or credit union must notify their customers, who are California residents, in the most expedient manner without delay.

We suggest that credit unions that serve members in California contact their attorney regarding potential liability under California law SB 1386.

It is incumbent upon each state chartered credit union to maintain the integrity of personal information they keep on their members. An effective information security system deploys security at multiple layers including the following:

- perimeter controls, such as firewalls;
- internal network controls, such as intrusion detection systems;
- server controls, such as OS hardening; and
- application controls, such as authentication and authorization.

Each of these layers of control must be founded on solid security policy and procedures.

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If you need further information, please call Doug Lacy-Roberts at (360)902-0507.